

MANITOBA TELEPHONE SYSTEM

1970-71

**ANNUAL
REPORT**



ANNUAL REPORT

for the fiscal year ended March 31, 1971

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Manitoba Telephone System
489 Empress Street
Winnipeg 10, Manitoba

MANITOBA TELEPHONE SYSTEM

THE HONOURABLE PETER BURTONIAK

Minister of Tourism, Recreation and Cultural Affairs

BOARD OF COMMISSIONERS

J. F. MILLS

Chairman and General Manager

G. R. FINES

N. E. RODGER

A. H. KIMACOVICH

I. D. TURNBULL, M.L.A.

S. L. DAVIES, Q.C.
Secretary

EXECUTIVE OFFICERS

J. F. MILLS

Chairman and General Manager

J. FENTON

Assistant General Manager and
Manager of Operations and Engineering

ADMINISTRATIVE OFFICERS

S. G. ANDERSON

Director of System Planning

F. C. CAVERS

General Plant Manager

G. H. BACKHOUSE

General Commercial Manager

G. A. MUIR

Chief Engineer

J. K. BEATTY

General Counsel

R. B. ROSS

Architect and Superintendent of Buildings

J. W. BUTCHARD

Personnel and Public Relations Manager

R. C. VANNEVEL

Comptroller

S. N. WILLIAMS

General Traffic Manager

HIGHLIGHTS OF THE REPORT

EXPANSION OF SERVICES

- Telephones increased 19,888 to total 440,394
- Long Distance calls increased 12.4 per cent to 17.8 million
- Local calls increased 6.9 per cent to 1.03 billion
- Dial offices established in 15 communities
- Nearly 97 per cent of System telephones are automatic dial
- 27 exchanges received Direct Distance Dialing

CONSTRUCTION TO MEET DEMAND

- 2,273 miles of wire and cable buried
- Long distance network expanded
- Three new radio relay systems placed in service
- 290 rural lines established

FINANCIAL RESULTS

- Capital expenditures amounted to \$27,816,999
- Investment in telephone plant reached \$301,536,124
- Revenue increased 10.8 per cent to \$61,617,140
- Expenses increased 10.8 per cent to \$59,237,630
- Net income amounted to \$2,379,510

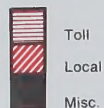
OUTLOOK FOR THE COMING YEAR

- Dial conversion and rural service improvement will continue
- 19,200 additional telephones forecasted
- Forecast capital expenditures of \$31.5 million

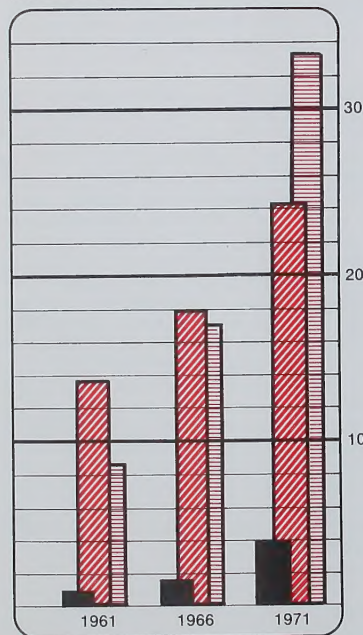
SUMMARY OF REVENUE AND EXPENSES

	April 1970 March 1971	April 1969 March 1970	Increase
REVENUES			
Local service	\$24,449,700	\$22,927,319	\$ 1,522,381
Toll service	33,467,140	29,084,243	4,382,897
Miscellaneous	3,990,275	3,782,307	207,968
	<u>61,907,115</u>	<u>55,793,869</u>	<u>6,113,246</u>
Less:			
Uncollectible operating revenues . . .	<u>289,975</u>	<u>202,688</u>	<u>87,287</u>
Total revenues	<u>61,617,140</u>	<u>55,591,181</u>	<u>6,025,959</u>
EXPENSES			
Operation	16,386,769	15,047,105	1,339,664
Maintenance	14,310,697	13,082,114	1,228,583
Depreciation	14,608,205	12,856,104	1,752,101
Operating taxes	1,246,809	1,165,754	81,055
Debt charges	<u>12,685,150</u>	<u>11,326,723</u>	<u>1,358,427</u>
Total expenses	<u>59,237,630</u>	<u>53,477,800</u>	<u>5,759,830</u>
NET INCOME	<u>\$ 2,379,510</u>	<u>\$ 2,113,381</u>	<u>\$ 266,129</u>

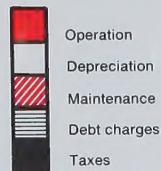
REVENUE



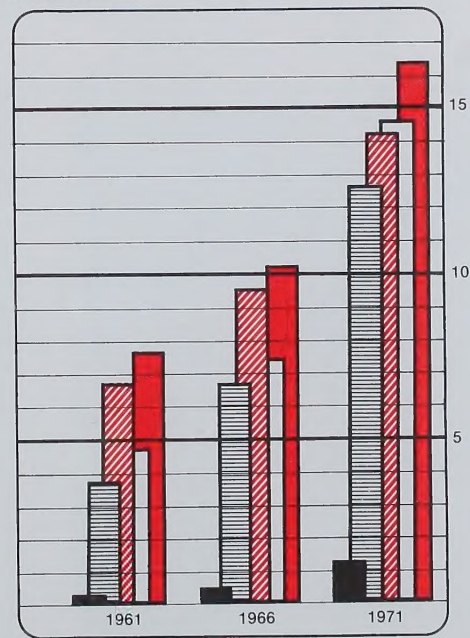
Millions of dollars



EXPENSES



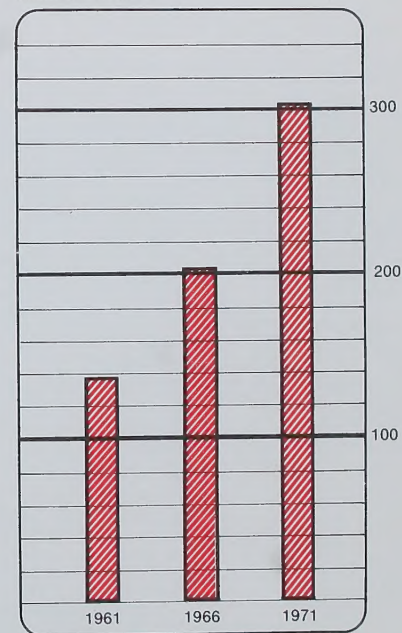
Millions of dollars



PLANT



Millions of dollars



THE YEAR IN BRIEF

The past year was one of considerable progress in meeting the telecommunications needs of Manitoba, while the demand for services approached record levels throughout the province.

Adding nearly 20,000 telephones—the greatest yearly gain in more than a decade—the System, with 440,394 telephones at year end, maintained its position as the fourth largest telephone system in Canada.

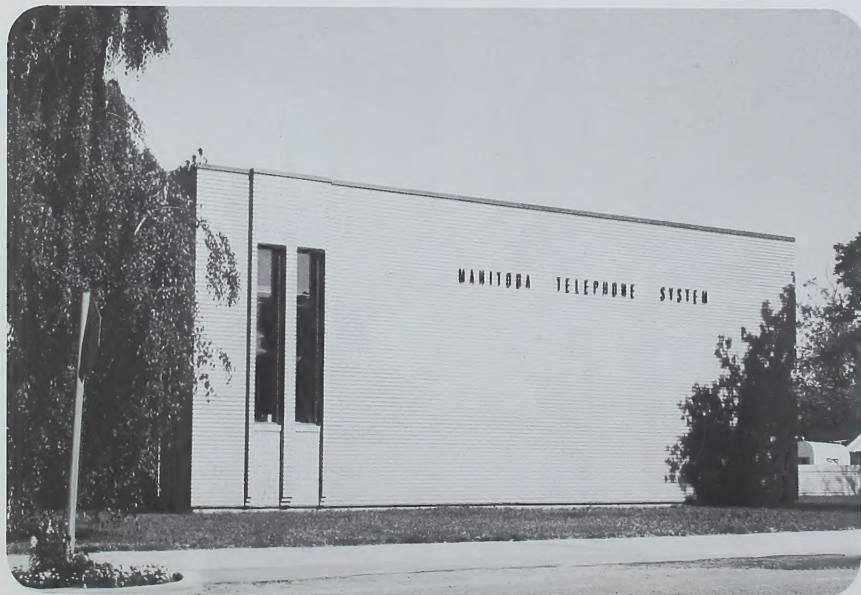
Long distance calling also showed a substantial increase with 12.4 per cent more calls placed than during the previous year, a rate of increase unequalled in the past five years. For the first time, local telephone calls exceeded one billion.

Capital expenditures for the year amounted to \$27.8 million. Of this amount, no less than 56.5 per cent was required for growth, with the remainder being used for service improvement, modernization, and the rehabilitation of plant and equipment.

By year end, the total value of telephone plant had grown to \$301,536,124, more than double the amount of telephone investment ten years ago.

On April 16, 1970, a significant phase in the telephone history of Manitoba came to an end with the System, by mutual agreement, supplying its service to the former customers of the Rural Municipality of Wallace. The last municipally-owned telephone utility in the province, the R. M. of Wallace had served its customers since 1906.

The Virden exchange was among the modern telephone buildings constructed throughout the province.



FINANCIAL

Revenue from all sources increased by 10.8 per cent to \$61,617,140, with expenses increasing at the same rate for a total of \$59,237,630. Net income was \$2,379,510, an increase of \$266,129 over the previous year.

Continued growth in long distance usage, both within the province and on a national and international basis, accounted for 72.7 per cent of the total increase in revenue. This year more than 55 per cent of our total operating revenue of \$60,096,606 is attributable to long distance. Local service revenues continued to show a consistent 6.6 per cent yearly increase and totalled \$24,449,700.

Significant factors on the expense side are the greater depreciation charges, the cost of money and the general inflationary trend in the cost of providing service. Depreciation expense was \$14,608,205, up 13.6 per cent from the previous fiscal year. This increase reflects primarily the substantial additions to plant-in-service made necessary by growing customer demands.

The cost of money remains at a high level, as indicated by last year's long-term borrowing of \$15 million at an interest rate of 8.5 per cent. Interest charges for the year amounted to \$12,685,150, an increase of 12 per cent over the previous year. It is worthwhile noting

that in order to meet the accelerating communications needs of the province, the System's capital requirements will exceed current levels in the years immediately ahead, thereby causing similar interest expense increases in the future. In addition to this, the System must re-finance portions of previous long-term debt at substantially higher rates. This year's satisfactory net income position is due principally to increasing toll revenues. Assisting in no small measure was continuing emphasis on cost control and extended efforts toward maximum productivity. However, further gains in these latter areas are increasingly difficult to achieve and it cannot be expected that they alone will offset indefinitely the high cost of capital, material and supplies.

NORTHERN COMMUNICATIONS

The fiscal year saw new services introduced in the North, while existing services were expanded and improved.

The major centres of the North are served by modern dial exchanges, and in most cases, long distance service to these centres is furnished by high-quality radio relay systems.

The northern radiotelephone network, centred on powerful base stations at The Pas, Norway House and Selkirk, was expanded. Two more radio channels were added and five more radio operator console positions were placed in operation. The system handles some 20,000 calls a year. Residents of 38 communities now have a public radiotelephone link to the outside world, including seven remote settlements added to the network during the year. This completes the System's program to provide long distance connections to all Manitoba communities having a population of 50 or more.

Installation work, under contract with the federal government, has been completed on a private radiotelephone network linking Department of National Health and Welfare nursing stations and hospitals in northern

Manitoba. This network is serving a total of 28 stations.

The program to assist and encourage outlying northern communities to set up their own local communications system continues. All necessary equipment, together with installation assistance, is made available at no cost to the community. Technical assistance is provided by the System with installation coordinated through the Provincial Depart-

ment of Northern Affairs. Installations have been completed in 16 communities and it is hoped 12 additional areas will benefit from this program next year. This program is an interim step toward providing regular local telephone service.

The System's long-range plans for communications in northern Manitoba include the provision of automatic local service and standard network long distance service to an

System radiotelephone operators handle some 20,000 calls annually for remote northern areas.



increasing number of communities. Plans are currently being progressed to extend these facilities to five northern communities in the 1973-74 fiscal year.

Plans have been completed for the extension of radio relay facilities from Thompson to Lynn Lake. This system, scheduled to be in service by mid-1973, will increase the capacity of long distance service for Lynn Lake and serve the mining development planned for the Leaf Rapids area. These facilities will also carry live network television programs to Lynn Lake under arrangements with the Canadian Broadcasting Corporation.

LONG DISTANCE

Increasing demands are being made on the System's long distance network which provides transmission facilities for voice messages, information and data in a variety of forms, as well as radio and television network programs.

The value of this service to the customer is reflected in the increase in the number of calls placed—up 12.4 per cent or nearly two million calls over the previous year to total almost 18 million.

The bulk of long-haul circuits are furnished by high-quality, reliable, radio relay systems. To handle the growing volume of calls, three new systems were established and the capacity of many others was expanded.

A new inter-provincial radio relay system was placed in service during the year between Winnipeg and Thunder Bay, Ontario. This facility, part of the second Trans-Canada Telephone System network, has an initial capacity of 1,200 circuits.

Complementing the expansion of the long distance network, several extensions were made to long distance switching equipment throughout the province, while the capacity of the Winnipeg toll switching machine was increased by approximately one third—all to meet continuing long distance growth and greater use of Direct Distance Dialing.

Customers are now able to dial their own station-to-station calls from 80 per cent of the telephones in Manitoba. Their approval of this convenient service is evidenced by the fact that 98 per cent of all dialable long distance calls are placed in this way. Twenty-seven exchanges were provided with Direct Distance Dialing during the year.

As a member of the Trans-Canada Telephone

System, MTS participated in two significant developments designed to meet the growing needs of business in a computerized society. One of these was the introduction of a sophisticated high-speed data transmission service known as Multicom—marking the first time a Canadian switched network has been equipped to transmit information at speeds ranging up to 60,000 words a minute.

A massive reel of telephone cable is readied for burying in the System's continuing program of placing facilities underground wherever practicable.



The other was a decision by members of the Trans-Canada Telephone System to create a nation-wide digital network to provide a more compatible, more reliable service for the transmission of data between computers. These digital facilities will be available in late 1971. Several specialized data networks were placed in service in Manitoba during the year, including a weather information system for the federal Department of Transport, transmitting data from weather stations at Grand Rapids and Bissett to the Prairie Weather Office in Winnipeg.

MORE PEOPLE SERVED BETTER

A major portion of our capital expenditures during the year was used for growth and service improvement.

Recording its greatest yearly gain for more than a decade, the System added 19,888 telephones to its network. At year end the System was serving 440,394 telephones.

Approximately 7,500 customers received automatic telephone service when 15 exchanges were converted from manual to dial operation. In most cases new buildings were required to accommodate the change. The following communities received dial service during the year: Virden, Teulon, Camperville, Holland, Hecla, Treherne, Cypress River, Swan Lake, Somerset, Notre Dame de Lourdes, Rathwell, Pilot Mound, St. Claude, Roland and Miami. Nearly 97 per cent of System telephones are now dial operated.

An additional 290 lines were built in a continuing program to reduce the number of customers sharing rural party lines, making a total of 2,441 new lines established since the line load relief program started six years ago. Wherever practicable, buried facilities are used both in meeting growth needs and in the orderly replacement of plant. The System buried 2,273 miles of wire and cable in projects of this kind.

The demand for business services continued at a high level. A total of 95 dial private branch exchanges were installed to serve the

growing communication needs of small to medium-size firms. Larger dial PBX installations were completed for 12 firms, extensions were made to 16 manual PBXs and six switchboards were installed. More than 675 telephone key systems and 100 speaker-phones were placed in service during the year.

THE FUTURE

The coming fiscal year will require capital spending of \$31.5 million. This sum will be needed to meet a forecast growth of 19,200 more telephones and to carry out necessary expansion and improvement programs. Of this amount, \$15.5 million will be raised from funds generated within the business and \$16 million will have to be borrowed.

Approximately \$8.9 million will be required for growth and improved service in urban and rural areas outside of Metropolitan Winnipeg. This expenditure will provide for an estimated 5,600 more customers together with upgrading of rural multi-party lines and the conversion from manual to dial service of 2,400 customers in seven exchanges.

Capital expenditures of \$15.5 million in Metropolitan Winnipeg will provide facilities for 13,600 additional telephones and the growing service requirements of existing business and residence customers.

With the continuing increase in long distance calling, both within the province and on a national basis, expansion of the long distance network and related switching equipment will require capital spending of \$7.1 million.

The Manitoba Telephone System as an approved telecommunications common carrier, participated with other member companies of the Trans-Canada Telephone System in the initial equity financing of Telesat Canada. Incorporated by federal legislation, Telesat Canada was established, in the national interest, to build and operate a domestic communications satellite for Canada. J. F. Mills, MTS Chairman and General Manager, was elected to the Board of Directors of Telesat Canada.

MTS, together with other member companies of the Trans-Canada Telephone System, also actively participated in the work of Telecommunication, a study of all aspects of telecommunications in Canada. The initial report of the Telecommission, "The Instant World," written and published by the Federal Department of Communications, was issued early in the current year as a prelude to the establishment of a national telecommunications policy.

ACKNOWLEDGEMENTS

The System appreciates the sincere interest shown in its operations by the Honourable Saul M. Cherniack, Q.C., Minister of Finance, and by the Honourable Peter Burtniak, Minister of Tourism, Recreation and Cultural Affairs, who assumed responsibility for the System later in the year.

Gordon R. Fines, Ian D. Turnbull, MLA, and August H. Kimacovich were appointed to the Board of Commissioners. The valuable services of Douglas M. Stanes and Russell Doern, MLA, who left the Board during the year, are gratefully recognized.

After almost four decades of dedicated service, Mr. G. V. Williamson, Comptroller, retired during the year. A member of the Executive Committee for 16 years, the invaluable contributions afforded by his guidance and wise counsel are deeply appreciated.

MTS employees again earned the appreciation of management, and indeed of all telephone customers, for the competent and enthusiastic way they performed their jobs. Their individual efforts were vital to the progress achieved during the year.

The System welcomes the opportunity to extend congratulations to Chapter 50 of the Telephone Pioneers of America on the occasion of the Diamond Jubilee Year of telephone pioneering, and to salute their commendable community service programs. The Manitoba Chapter comprises more than 800 persons, whose 21 years of service in the communications industry qualifies them for membership.

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 1971.

	1971	1970
OPERATING REVENUES		
Local service	\$24,449,700	\$22,927,319
Toll service	33,467,140	29,084,243
Miscellaneous (note 1)	2,469,741	2,090,609
	<u>60,386,581</u>	<u>54,102,171</u>
Less: Uncollectible operating revenues . . .	289,975	202,688
	<u>60,096,606</u>	<u>53,899,483</u>
 OPERATING EXPENSES		
Maintenance	14,310,697	13,082,114
Depreciation (note 2)	14,608,205	12,856,104
Traffic (note 3)	5,938,496	5,373,275
Commercial and marketing (note 4)	4,188,382	3,991,566
General and administration (note 5)	6,259,891	5,682,264
Operating taxes (note 6)	1,246,809	1,165,754
	<u>46,552,480</u>	<u>42,151,077</u>
 NET OPERATING INCOME	<u>13,544,126</u>	<u>11,748,406</u>
 OTHER INCOME		
Interest and miscellaneous	1,520,534	1,691,698
 INCOME BEFORE DEBT CHARGES	<u>15,064,660</u>	<u>13,440,104</u>
 DEBT CHARGES		
Interest	12,155,274	10,853,628
Amortization of bond discount and expense . .	319,001	274,983
Other fixed charges (note 7)	210,875	198,112
	<u>12,685,150</u>	<u>11,326,723</u>
 NET INCOME	<u>\$ 2,379,510</u>	<u>\$ 2,113,381</u>

BALANCE SHEET at March 31, 1971
with comparative figures for 1970

ASSETS	1971	1970
TELEPHONE PROPERTY		
Plant and equipment (note 8)	\$301,536,124	\$282,760,286
Less: Accumulated depreciation	89,980,582	82,062,333
	<u>211,555,542</u>	<u>200,697,953</u>
INVESTMENTS		
Securities and cash held by the Minister of Finance		
Sinking fund (schedule A) (note 9)	16,355,822	13,704,571
Reserve fund (available on demand) (schedule B)	3,034,370	3,138,355
	<u>19,390,192</u>	<u>16,842,926</u>
Telesat Canada (note 10)	333,000	—
	<u>19,723,192</u>	<u>16,842,926</u>
CURRENT ASSETS		
Cash and temporary cash investments (note 11)	2,606,264	(458,338)
Accounts receivable	6,913,500	7,166,603
Material and supplies—at cost	3,323,490	3,362,845
Prepayments	539,574	569,505
	<u>13,382,828</u>	<u>10,640,615</u>
DEFERRED CHARGES		
Unamortized discount and expense on long term debt	2,454,658	2,661,159
Other deferred charges (note 12)	492,695	487,145
	<u>2,947,353</u>	<u>3,148,304</u>
	<u>\$247,608,915</u>	<u>\$231,329,798</u>

Approved on behalf of the Board:

Chairman & General Manager

CAPITAL EMPLOYED AND LIABILITIES

	1971	1970
CAPITAL EMPLOYED		
Retained earnings invested in plant	\$ 26,288,759	\$ 24,288,759
Unappropriated retained earnings	4,852,810	4,473,300
Contingency reserves (schedule C)	398,611	429,159
Rate stabilization reserve (schedule D)	3,263,200	3,263,200
	<u>34,803,380</u>	<u>32,454,418</u>
LONG TERM DEBT		
Province of Manitoba advances (schedule E)	55,727,027	40,727,027
Bonds payable (schedule F)	149,579,709	149,579,709
	<u>205,306,736</u>	<u>190,306,736</u>
NOTES PAYABLE		
Bank loan (payable on demand)	—	2,000,000
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,555,009	3,714,003
Advance billings and payments	1,036,795	941,348
Accrued interest	1,906,995	1,913,293
	<u>7,498,799</u>	<u>6,568,644</u>
	<u>\$247,608,915</u>	<u>\$231,329,798</u>

Commissioner

STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1971

	1971	1970
BALANCE AT BEGINNING OF YEAR	\$ 4,473,300	\$ 4,359,919
ADDITIONS		
Net income for year	2,379,510	2,113,381
Transfer from special development reserve	—	901,434
	<u>6,852,810</u>	<u>7,374,734</u>
DEDUCTIONS		
Transfer to retained earnings invested in plant	2,000,000	2,901,434
	<u>\$ 4,852,810</u>	<u>\$ 4,473,300</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED MARCH 31, 1971

	1971	1970
SOURCE OF FUNDS		
Net income for year	\$ 2,379,510	\$ 2,113,381
Depreciation and amortization	15,492,076	13,677,353
Net recovery from telephone property retired	1,786,335	1,455,148
Deferred and miscellaneous items	67,887	(145,188)
Total from operations	<u>19,725,808</u>	<u>17,100,694</u>
Net proceeds from sale of bonds	14,887,500	16,612,257
Proceeds from notes issued	—	2,000,000
Decrease in working capital	—	1,769,781
	<u>\$34,613,308</u>	<u>\$37,482,732</u>
APPLICATION OF FUNDS		
Government advances repaid	\$ —	\$ 6,790,000
Less: Portion from sinking fund	—	1,735,000
	—	5,055,000
Notes redeemed	2,000,000	—
Gross additions to plant	27,816,999	29,909,896
Contributions to sinking fund	2,651,251	2,517,836
Purchase of Telesat Canada shares	333,000	—
Increase in working capital	1,812,058	—
	<u>\$34,613,308</u>	<u>\$37,482,732</u>

AUDITOR'S REPORT

To the Commissioners,
The Manitoba Telephone System,
Winnipeg, Manitoba

We have examined the balance sheet of the Manitoba Telephone System as at March 31, 1971 and the statements of income, unappropriated retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the System as at March 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

 C.A.
Provincial Auditor

Winnipeg, Manitoba
July 26, 1971

SCHEDULE OF INVESTMENTS

	1971	1970
(A) SINKING FUND		
Bonds—at cost		
Government of Canada	\$ 374,000	\$ 374,000
Province of Manitoba	1,908,991	1,908,991
Other — guaranteed by the Province of Manitoba	4,108,000	2,587,916
	<u>6,390,991</u>	<u>4,870,907</u>
Cash on deposit with the Minister of Finance	1,808,837	1,520,856
Amount included with Province of Manitoba sinking fund	8,155,994	7,312,808
	<u>\$16,355,822</u>	<u>\$13,704,571</u>
(B) RESERVE FUND		
Bonds—at cost		
Government of Canada	\$ 2,485,275	\$ 2,485,275
Province of Manitoba	402,345	402,345
Other—guaranteed by the Province of Manitoba	146,750	146,750
	<u>3,034,370</u>	<u>3,034,370</u>
Cash on deposit with the Minister of Finance	—	103,985
	<u>\$ 3,034,370</u>	<u>\$ 3,138,355</u>

SCHEDULE OF RESERVES

	1971	1970
(C) CONTINGENCY RESERVES		
Balance at beginning of year	\$ 429,159	\$ 447,949
Add:		
Retired employees' contributions to death benefit plan	1,493	1,271
	<u>430,652</u>	<u>449,220</u>
Deduct:		
Self insured losses	17,541	12,061
Payments on death benefit claims ..	14,500	8,000
	<u>32,041</u>	<u>20,061</u>
Balance at end of year	<u>\$ 398,611</u>	<u>\$ 429,159</u>

(D) RATE STABILIZATION RESERVE

Balance (unchanged during year) . . .	<u>\$ 3,263,200</u>	<u>\$ 3,263,200</u>
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SCHEDULE OF LONG TERM DEBT

	1971	1970
(E) PROVINCE OF MANITOBA ADVANCES		
Represented by the following debenture debt of the Province of Manitoba.		
Series 6A 3½% due June 15, 1971 (a) \$	3,500,000	\$ 3,500,000
Series 6B 3½% due September 1, 1971 (a)	1,000,000	1,000,000
Series 6C 3½% due September 15, 1971 (a)	2,000,000	2,000,000
Series 6L 3¼% due October 1, 1975	6,000,000	6,000,000
Series 6P 4¼% due December 15, 1976	4,500,000	4,500,000
Series 6M 3½% due March 15, 1978	7,100,000	7,100,000
Series 7P 6% due December 1, 1979	4,600,000	4,600,000
Centennial Series 8½% due June 1, 1980 (d)	15,000,000	—
Series 8G 5¼% due January 15, 1981	11,500,000	11,500,000
United States exchange adjustment	527,027	527,027
	<u>\$ 55,727,027</u>	<u>\$ 40,727,027</u>

(F) BONDS PAYABLE

Debentures issued by the System fully guaranteed by the Province of Manitoba.

Series 1H 7¼% due February 15, 1974 (b) \$	17,500,000	\$ 17,500,000
Series 1K 8% due September 15, 1974 (c)	17,000,000	17,000,000
Series 1A 5½% due February 1, 1982	20,000,000	20,000,000
Series 1B 5¼% due November 15, 1983	15,000,000	15,000,000
Series 1D 5¼% due December 1, 1984	12,000,000	12,000,000
Series 1C 5½% due December 2, 1986	12,500,000	12,500,000
Series 1E 5% due January 15, 1991 (a)	14,500,000	14,500,000
Series 1F 6¼% due December 1, 1991	20,000,000	20,000,000
Series 1G 7% due February 15, 1993	20,000,000	20,000,000
Exchange premium at time of issue on bonds payable in United States dollars	1,079,709	1,079,709
	<u>\$149,579,709</u>	<u>\$149,579,709</u>

(a) Payable in United States dollars

(b) Exchangeable at holder's option prior to August 15, 1973 for 7½% Series 1J bonds maturing February 15, 1989

(c) Exchangeable at holder's option prior to March 15, 1974 for 8% Series 1M bonds maturing September 15, 1989

(d) Redeemable at the option of the holder

NOTES TO FINANCIAL STATEMENTS

1. MISCELLANEOUS OPERATING REVENUE

Principally directory advertising and revenue from attachments and rentals of system property.

2. DEPRECIATION

The amortization of the cost of telephone plant over its useful life on a straight line basis.

3. TRAFFIC

Expenses, principally operators' wages, in handling telephone calls.

4. COMMERCIAL & MARKETING

Expenses incurred in business relations with customers, advertising and cost of directories.

5. GENERAL AND ADMINISTRATION

General office salaries and expenses, rental of circuits and facilities, service pension, insurance and other general expenses.

6. OPERATING TAXES

Grants to municipalities in lieu of property taxes, System's portion of Canada Pension Plan costs and other general levies.

7. OTHER FIXED CHARGES

Payment to the Province re services and guarantees extended for the System's long term borrowing.

8. PLANT AND EQUIPMENT

With minor exceptions, telephone property is stated at cost to the System. Values, by major classes of plant, at March 31st:

	1971	1970
Land, buildings and towers	\$ 27,972,995	\$ 27,060,163
Central office switching equipment	109,535,385	99,149,057
Telephones, switchboards, etc.	48,513,183	45,161,726
Aerial cable, wire and poles	41,649,163	42,212,491
Underground cable, wire and conduit	62,091,879	56,047,059
Vehicles, equipment and furniture	6,059,459	6,298,375
Plant under construction	5,714,060	6,831,415
	<u>\$301,536,124</u>	<u>\$282,760,286</u>

9. SINKING FUND

The sinking fund is established under requirements of the Manitoba Telephone Act. The System is obligated to pay annually to the Minister of Finance, as trustee for the fund, an amount not less than 1% of the long term debt outstanding at the end of the preceding fiscal year and 4% on the sinking fund balance at the end of the preceding fiscal year.

10. TELESAT CANADA

The System's allotment in the initial financing of Telesat Canada is for 99,900 common shares, N.P.V., at an issue price of \$10 each. One third of these shares were acquired during the current year with the balance to be obtained during the 1971-72 fiscal year.

11. CASH AND TEMPORARY CASH INVESTMENTS

This account includes the following as at March 31, 1971:

Cash in banks, net of outstanding cheques	\$ 106,264
Cash on deposit with the Minister of Finance, interest bearing	<u>2,500,000</u>
	<u>\$2,606,264</u>

12. OTHER DEFERRED CHARGES

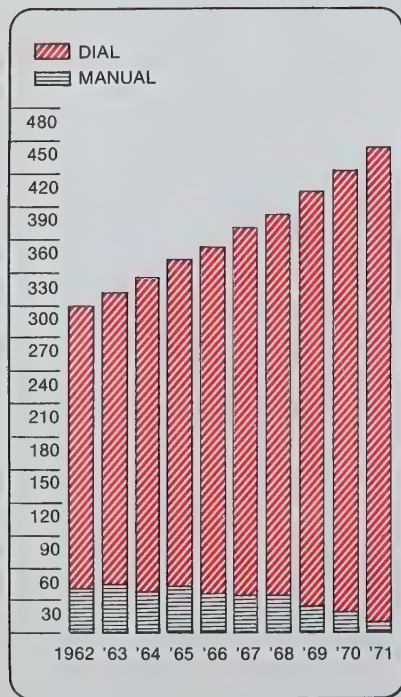
Principally engineering costs associated with projects in the planning stage.

13. COMMITMENTS

Approximate total commitments at March 31, 1971, principally relating to purchase of equipment for future delivery and uncompleted contracts, were \$13,000,000.

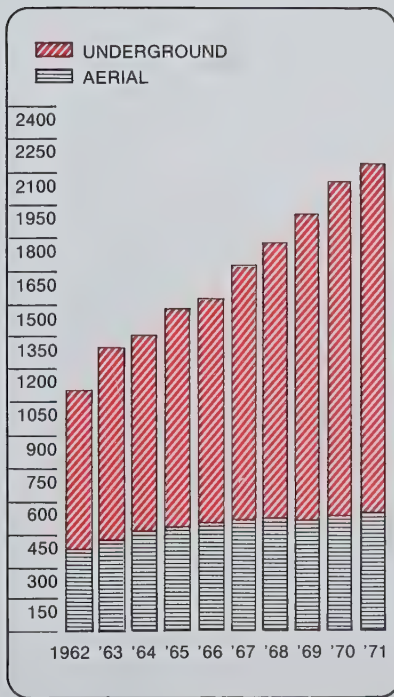
TELEPHONES

In thousands of telephones



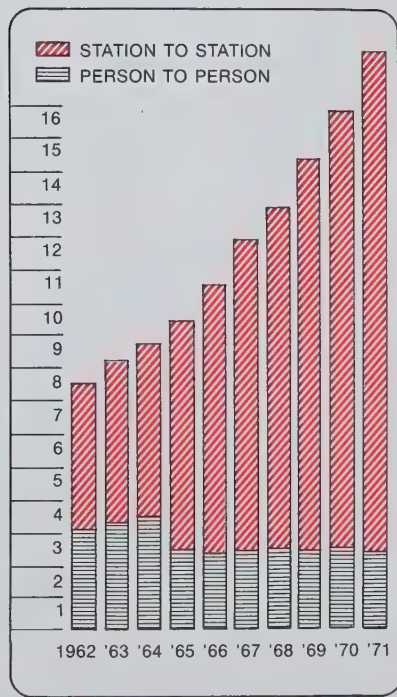
WIRE & CABLE FACILITIES

In thousands of conductor miles



LONG DISTANCE MESSAGES

In millions of messages





The System's display trailer tours communities throughout Manitoba, depicting the past, present and future of communications.

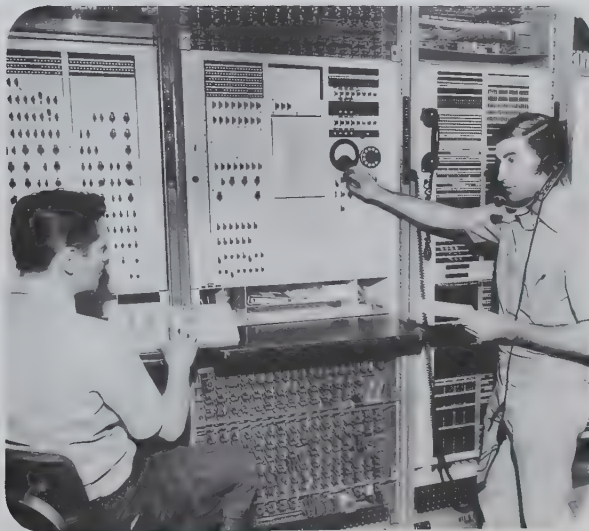


Among the varied forms of communications carried by System facilities are network television programs which are monitored to assure high-quality transmission.

Courteous Service Representatives assist customers in obtaining communications services tailored to their specific needs.



Sophisticated telecommunications equipment requires the careful attention of skilled employees.

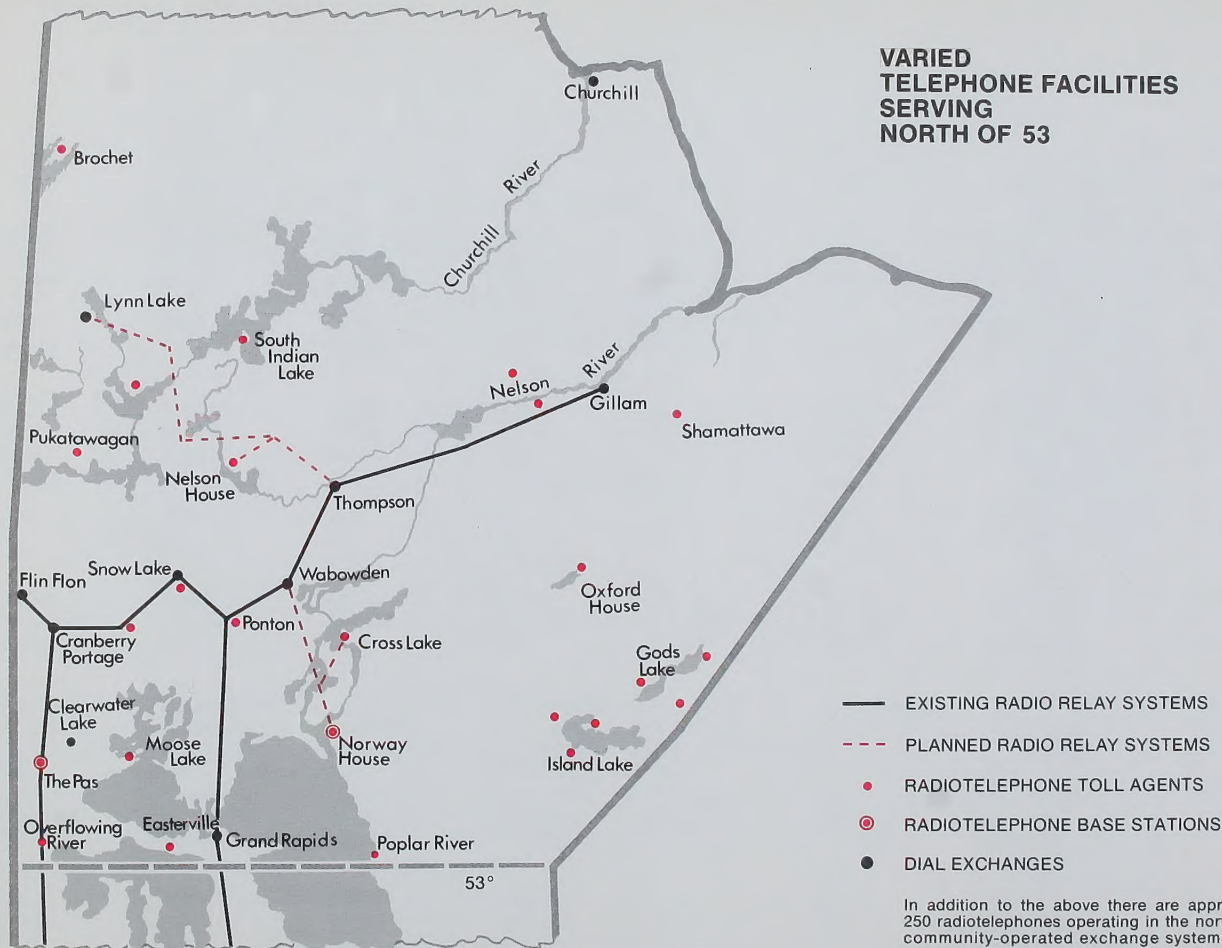


Electrocardiograms of heart patients in hospital at Dauphin and Portage la Prairie are transmitted over the regular telephone network for expert analysis by specialists at Winnipeg General Hospital.

	1971	1970
NUMBER OF TELEPHONES		
Business	124,899	118,083
Residence	315,495	302,423
TOTAL SYSTEM OWNED	440,394	420,506
Per Cent Dial of System Owned	96.7	95.8
Private Line and Service Stations in Manitoba	2,220	2,668
TOTAL TELEPHONES IN MANITOBA	442,614	423,174
TELEPHONE MOVEMENT		
Connected	114,369	108,653
Disconnected	94,481	91,114
Increase	19,888	17,539
NUMBER OF CENTRAL OFFICES		
Exchange	234	234
Toll	44	46
PLANT IN SERVICE		
Miles of Poles	14,786	16,630
Miles of Wire (Open, Aerial, Underground)	2,160,449	2,041,227
Miles of Conduit	2,002	1,930
FINANCIAL		
Government Advances	\$ 55,727,027	\$ 40,727,027
Bonds Payable	149,579,709	149,579,709
Telephone Plant (Includes Plant Under Construction)	301,536,124	282,760,286
PER TELEPHONE	685	672
Total Revenues	61,617,140	55,591,181
Total Expenses	59,237,630	53,477,800
NET INCOME	2,379,510	2,113,381
EMPLOYEES		
Men	2,173	2,137
Women	1,995	2,036
TOTAL	4,168	4,173
TOTAL PAYROLL	\$ 28,972,808	\$ 26,607,245

1969	1968	1967	1966	1965	1964	1963	1962
111,989	106,436	101,994	96,156	91,521	86,830	82,524	78,889
290,978	279,456	267,685	257,206	248,462	240,516	230,633	221,712
402,967	385,892	369,679	353,362	339,983	327,346	313,157	300,601
94.3	91.7	90.0	88.2	87.3	87.0	86.2	85.8
2,649	2,680	2,577	2,553	2,509	2,083	2,200	2,184
405,616	388,572	372,256	355,915	342,492	329,429	315,357	302,785
97,577	95,943	91,222	82,352	81,215	82,294	75,959	74,122
80,502	79,730	74,905	68,973	68,578	68,105	63,403	58,848
17,075	16,213	16,317	13,379	12,637	14,189	12,556	15,274
236	234	230	231	230	227	227	222
48	44	47	49	56	59	66	78
18,233	19,994	21,278	22,167	22,864	23,085	22,873	22,812
1,900,596	1,795,077	1,661,490	1,516,211	1,417,825	1,354,742	1,277,857	1,160,549
1,854	1,738	1,630	1,518	1,464	1,407	1,353	1,277
\$ 47,517,027	\$ 57,017,027	\$ 56,490,000	\$ 63,724,248	\$ 70,854,248	\$ 75,024,248	\$ 78,403,879	\$ 84,575,818
132,579,709	115,079,709	95,079,709	75,079,709	59,500,000	47,500,000	35,000,000	20,000,000
263,764,855	239,054,762	217,942,253	200,616,358	189,868,031	178,407,619	165,711,825	152,002,246
655	619	590	568	558	545	529	506
50,174,775	44,461,250	41,475,246	36,984,920	33,422,453	30,254,001	27,823,548	25,859,940
47,718,661	42,265,455	37,953,045	34,253,848	32,082,976	30,049,006	27,201,186	25,083,409
2,456,114	2,195,795	3,522,201	2,731,072	1,339,477	204,995	622,362	776,531
2,180	2,194	2,084	2,085	2,021	2,052	1,961	1,846
1,979	2,063	2,042	1,905	1,854	1,834	1,787	1,716
4,159	4,257	4,126	3,990	3,875	3,886	3,748	3,562
\$ 24,752,609	\$ 22,683,143	\$ 20,236,722	\$ 18,225,638	\$ 16,973,328	\$ 16,323,055	\$ 14,844,131	\$ 14,036,874

VARIED TELEPHONE FACILITIES SERVING NORTH OF 53



In addition to the above there are approximately 250 radiotelephones operating in the north and 16 community-operated exchange systems with 12 more scheduled for service by the end of 1971.



Manitoba Telephone System, part of
Trans-Canada Telephone System